I/M/O Appropriate Utility Funding Allocation for the 2004 Clean Energy Program BPU Docket No. EX03110946 And I/M/O Comprehensive Energy Efficiency and Renewable Energy Resource Analysis BPU Docket No. EX04040276

Comments of the Ratepayer Advocate on Commercial and Industrial Programs Meeting of June 29, 2004

The Ratepayer Advocate has identified several issues that we wish to discuss at the June 29 meeting. We have not formulated comprehensive program details and descriptions. We may also bring other issues to the discussion.

1. Cost-Benefit Analysis

Up to now, assessment of the likely cost-effectiveness of CEP programs has depended either on previous research or on estimates provided by those who propose programs or program components. There is a need to retain a cost-effectiveness screening consultant so that there is a uniform source for estimates of the likely costs and benefits of future programs. This need was articulated by the Ratepayer Advocate at the June 15, 2004, meeting in this matter. Since then, the Office of Clean Energy (OCE) has undertaken to amend its contracts with CEP consultants so that the capability to perform this kind of analysis will soon become available to OCE. We support this step by the OCE. We believe the consultants should be prepared to provide estimates of costs and benefits using the most reliable cost-effectiveness perspectives. The "total resource cost test" and the "energy system test" are among the cost-effectiveness perspectives that can produce useful guidance.[1] The consultant should be prepared to screen present programs that may be continued, and also screen proposed new program concepts that survive an initial qualitative feasibility assessment and are specified in sufficient clarity for the consultant to proceed.

2. Process for Participating in Program Development

These comments offer certain ideas about enhancing commercial, institutional and industrial energy efficiency programs. We suggest that OCE delineate a structured process by which the Ratepayer Advocate and other parties may follow up on ideas which may be presented today,

[1] The "energy system test" (formerly known as the "utility test") compares the ratepayer and public funds invested in an efficiency program over some period of time with the likely economic value of the resulting electricity, gas, and other readily quantifiable resource savings (e.g., fuel oil and water). The "total resource cost" test evaluates the same benefits, but expands the definition of costs by adding net private investments caused by energy efficiency programs to the to ratepayer and public funding costs.

and may develop and offer additional information and ideas. This could be accomplished, for example, through substantive meetings of Clean Energy Council committees. The procedure should include ways for parties to benefit from interchange among program stakeholders and program managers through a consultative process.

3. Comments on C/I Programs

We offer some specific comments for consideration by OCE, program managers, and other CEP stakeholders. We recognize that the suggestions offered today require further work and discussion. We are prepared to participate in a consultative process such as suggested in point 2 above, in order to further the consideration and development of these ideas.

- Gas fired boilers. Condensing boilers with 90%+ AFUE do not have a separate incentive "tier" in the C/I program. For gas boilers of ≤300,000 Btu/hr., the available incentive is for boilers at AFUE 85%+ and is capped at $300/unit. This incentive mainly works to promote the more efficient conventional boilers. Relatively few condensing boilers participate in the program, perhaps because the incentive is insufficient in light of their higher costs. Consideration should be given to a $600 incentive for condensing boilers. This point applies to boilers in the 300,000-1.5 million Btu/hr. and 1.5 - 4.0 million Btu/hr/ ranges as well. Consideration should be given to developing a second, higher tier for the most efficient boilers for 2005.

- Energy-efficient traffic signals. Prescriptive lighting rebates in the 2004 C/I program offer rebates of up to $20-$35 for various types of traffic and walk signals that use light emitting diodes (LEDs) instead of the usual incandescent lamps. These incentives are somewhat reduced from 2003. LEDs use much less electricity than incandescent bulbs. In addition they last much longer, substantially reducing maintenance costs. They are also more visible, enhancing safety. In several New England jurisdictions, energy efficiency programs employ much higher incentives for LEDs (up to $90). The uptake of LED measures in 2004 should be compared to 2003. If participation has fallen, the reasons for that should be examined. If the rebate amount is an important factor, then higher rebate levels should be established for 2005. It is important to encourage the State's hundreds of municipalities to move forward with this technology.

- Schools program. The C/I program provides incentives for public schools to be designed and built efficiently and to install qualifying energy-efficient equipment. These program components should be continued. However, consideration should also be given to additional performance-based incentives to encourage new or rebuilt schools to aggressively reduce their energy requirements. To receive State funding, new or rebuilt schools must be LEED[2] certified. LEED certification can be achieved with only a minimum of energy efficiency measures beyond those required by the state's building

[2] "LEED" refers to the Leadership in Energy and Environmental Design standards developed by the U.S. Green Energy Building Council. In the LEED framework, credits can be earned for both environmental and energy improvements.

code. Yet within the LEED system, energy "credits" can be achieved by reducing the annual energy budget by anywhere from 5% to 65% compared to an ASHRAE 90.1 baseline. A performance-based incentive would award schools for each LEED *energy* credit achieved, providing schools with an incentive to go beyond those measures for which at present they might receive a specific incentive.[3]

- Ongoing industrial energy efficiency--monitoring and targeting. Ongoing operational management of energy use is as important as installing efficient equipment. Once industries in the State have installed energy-efficient equipment, they will need to look at ongoing operations to sustain and enhance their energy-efficiency. One term for this approach is "monitoring and targeting" (M&T). M&T is both a generic term and a specific term. Generically, it refers to tracking energy use of a facility regularly, and developing improvement targets for ongoing operational efficiency. As specifically practiced in the EU, UK and Canada, where it has yielded proven results, M&T refers to the installation of tracking software and the training of operational staff to implement management of energy as a controllable resource. Actual consumption of natural gas, fuel oil, electricity, steam, or compressed air is compared with the standard consumption based on other factors such as temperature, area, production output, etc., and this information is used by managers responsible for use of those resources. Targets are set to achieve performance that is better than standard. The procedures of M&T are integrated into overall management and are supported by M&T software. The CEP should consider development of an RFP to retain an M&T vendor to market tracking software and train industry staff in the techniques of M&T, beginning on a pilot basis with some selected industries that agree to participate.

- Small business. During the CEC process leading to the 2004 CEP programs, the Ratepayer Advocate proposed that special attention be paid to providing a direct installation program for small businesses, particularly in more economically distressed areas. Attention to installing efficiency measures in small businesses was to be an aspect of a new $5 million "Pay for Performance" C/I program. If this program is now being "rolled out", we recommend that small business participation in this new program be tracked to assure that the objective of reaching such enterprises is achieved. If there is a delay in rolling out the "Pay for Performance" program, attention should be given to a special C/I program track for small businesses that can be in place at the start of 2005.

[3]The design of the performance-based incentive might subtract measure-specific incentives received from existing CEP program components from a total incentive based on LEED energy credits.